

Message Text

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PAGE 01 SAIGON 19815 01 OF 02 211455Z

46

ACTION EA-14

INFO OCT-01 ISO-00 AGR-20 EB-11 COME-00 TRSE-00 AID-20

IGA-02 OMB-01 SS-20 NSC-10 SPC-03 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 L-03 DRC-01

/137 W

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P R 211103Z NOV 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 9235

INFO AMEMBASSY PNOM PENH

AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

AMEMBASSY TOKYO

AMEMBASSY SEOUL

LIMITED OFFICIAL USE SECTION 1 OF 2 SAIGON 19815/1

E.O. 11652: N/A DECLAS 12/31/73

TAGS: EAGR, VS

SUBJECT: RICE SITREP FOR OCTOBER 1973

1. SUMMARY. END OF OCTOBER STOCK LEVELS ARE HIGH AND SHORT TERM PROJECTION IS GOOD. OCTOBER DELTA DELIVERIES WERE 53,400 MT. DELIVERIES IN PAST FEW MONTHS WERE BETTER THAN PREVIOUSLY EXPECTED BECAUSE OF GOOD EARLY TN HARVEST AND VIGOROUS GVN EFFORT TO BUILD UP STOCKS QUICKLY AGAINST POSSIBLE NVA DRY SEASON OFFENSIVE, REGULATE PRICES AND HOLD DOWN VC/NVA TAKE OF HARVEST. COLLECTION EFFORTS RESULTED BOTH IN SHORTENING OF MARKET CYCLE BY MORE THAN A MONTH AND A PROBABLE INCREASE IN THE PERCENTAGE OF RICE SUPPLIED FROM THE DELTA TO SAIGON AND CENTRAL VIETNAM. STOCK PICTURE MAY ALSO HAVE BEEN IMPROVED BY HIGHER PRICES AND TEMPORARY OUTAGES IN STORES CAUSING LOWER THAN PROJECTED APPARENT CONSUMPTION THUS FAR IN 1973. ACTUAL MONTHLY AVERAGE APPARENT CONSUMPTION FIGURE OF 61,700 MT FOR FIRST TEN MONTHS 1973 COMPARES WITH 68,000 MT LEVEL PROJECTED ON BASIS

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PAGE 02 SAIGON 19815 01 OF 02 211455Z

LONG TERM TREND. WE BELIEVE RICE DIVERTED FROM KOREA AND NEW

US IMPORTS NOW SCHEDULED HAVE ALSO BEEN IMPORTANT PSYCHOLOGICAL FACTORS IN PREVENTING MORE WIDESPREAD HOARDING. THE OVERALL IMPROVEMENT IN STOCK POSITION IN PAST FEW MONTHS HAS MADE IT POSSIBLE TO LOAN ADDITIONAL RICE CAMBODIA. HOWEVER, DESPITE GOOD STOCK LEVELS ACHIEVED, PRIVATE MARKET ACTIVITY IS FUNCTIONING ERRATICALLY BECAUSE NEARLY ALL SUPPLIES ARE COMING TO GOVERNMENT. DEBATE OVER MARKET POLICY FOR FUTURE NOW HAS REPLACED FEARS OF SHORTAGES. RICE PRICES ARE OFFICIALLY CONTROLLED BUT BLACK MARKET PRICES CONTINUE HIGH. END OF SUMMARY.

2. END OCTOBER SAIGON AND CENTRAL VIETNAM STOCKS (000 MT)

SAIGON IMPORTED	40.8
SAIGON DOMESTIC	43.6
SAIGON PRIVATE	2.6
DEFICIT PROVINCES	61.5
TOTAL	148.5

3. APPARENT OCTOBER CONSUMPTION

END SEPTEMBER STOCKS	160.0
OCTOBER DELTA DELIVERIES	53.4
OCTOBER IMPORTS	NONE
TOTAL AVA	
	313.4
MINUS END OCTOBER STOCKS	148.5
EQUALS	64.9
MINUS LOAN TO CAMBODIA	5.5
EQUALS APPARENT CONSUMPTION	59.4

4. CONTINUED VERY VIGOROUS GOVERNMENT PADDY AND RICE COLLECTION EFFORTS IN DELTA RESULTED IN HIGH DELTA DELIVERY FIGURE OF 53,367 MT FOR OCTOBER. DELTA DELIVERIES FOR AUGUST, SEPTEMBER AND OCTOBER TOTAL 163,387 MT. NOVEMBER DELIVERIES THROUGH NOVEMBER 18 ARE 22,497 MT FOR A TOTAL AUGUST 1 TO DATE OF 185,884 MT. FOR CY 1973 TO DATE TOTAL IS 458,300 MT.

5. OUR EARLIER ESTIMATE FOR AUGUST THROUGH DECEMBER DELIVERIES WAS FROM 150,000 MT LIKELY TO 182,500 MT POSSIBLE IF PRICE INCENTIVES CONTINUED TO INCREASE. BECAUSE THE POLITICAL CLIMATE AND ALREADY VERY HIGH PRICES MADE FURTHER PRICE INCREASES SEEM LIMITED OFFICIAL USE

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PAGE 03 SAIGON 19815 01 OF 02 211455Z

UNLIKELY AND THE OVERALL SUPPLY SITUATION WAS TIGHT, THE 150,000 MT FIGURE WAS USED FOR STOCK PROJECTIONS FOR LAST FIVE MONTHS OF 1973. BUT DELIVERIES HAVE BEEN BETTER THAN ANTICIPATED AND IT SEEMS APPROPRIATE TO SUMMARIZE A FEW OF THE REASONS WE BELIEVE HAVE CONTRIBUTED TO CURRENTLY IMPROVED STOCK POSITION.

6. ALTHOUGH OFFICIAL ESTIMATES OF EARLY TN CROP ARE NOT YET AVAILABLE, MINAG AND USAID CROP PRODUCTION EXPERTS ESTIMATE THAT

DELTA PRODUCTION IS BETTER THAN LAST YEAR, PERHAPS BY AS MUCH AS TEN TO FIFTEEN PERCENT. SUCH AN INCREASE COULD RESULT IN MUCH HIGHER AMOUNTS OF RICE AVAILABLE FOR SHIPMENT FROM DELTA. UNDER NORMAL CONDITIONS THIS PADDY WOULD PROBABLY REACH MARKET ONLY IN MODEST QUANTITIES IN OCTOBER AND NOVEMBER WITH THE BULK ARRIVING IN DECEMBER AND LATER.

7. HOWEVER, AS PREVIOUSLY REPORTED RICE SITUATION THIS YEAR FAR FROM NORMAL. FACED WITH REPIDLY INCREASING RICE PRICES AND UNCERTAINTY OF US IMPORTS BEFORE END OF YEAR, GVN DECIDED ON PRICE CONTROLS AND AN UNPRECEDENTED CAMPAIGN TO OBTAIN AS MUCH RICE AS POSSIBLE FOR GSA STOCKPILES TO AVOID LATE YEAR SHORTAGES, ENTER NEW YEAR WITH AMPLE STOCKS FOR USE DURING POSSIBLE NVA OFFENSIVE, AND TO PRECLUDE AS MUCH AS POSSIBLE VC/NVA ATTEMPTS TO OBTAIN SIZEABLE STORES OF RICE FOR THEIR OWN PURPOSES. THESE ACTIONS HAVE IN OUR JUDGEMENT RESULTED IN A COMPRESSING OF THE MARKET CYCLE BY MORE THAN A MONTH AND OBTAINED BY MID-NOVEMBER ROUGHLY THE TOTAL AMOUNT OF RICE WE HAD PREVIOUSLY ESTIMATED TO BE REACHED AT YEAR'S END. TOTAL NOVEMBER DELIVERIES MAY NOT EXCEED 40,000 MT AS THE PACE OF NOVEMBER DELIVERIES HAS DROPPED IN THE LAST WEEK. THE EARLY MARKETING ACTIVITY NOTED ABOVE MAY ALSO DEPRESS EARLY 1974 DELTA DELIVERIES.

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PAGE 01 SAIGON 19815 02 OF 02 211533Z

46

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LIMITED OFFICIAL USE SECTION 2 OF 2 SAIGON 19815/2

8. ANOTHER REASON FOR IMPROVED STOCK POSITION IS THAT HIGH PRICES AND STRICT STOCK MANAGEMENT THIS YEAR HAVE RESULTED IN LOWEST MONTHLY AVERAGE APPARENT CONSUMPTION FIGURES ON RECORD. FOR FIRST TEN MONTHS OF 1973 AVERAGE MONTHLY APPARENT CONSUMPTION FIGURE IS 61.7. WHILE NO ONE IS PRESENTLY ATTEMPTING TO DRAW PRECISE CONCLUSIONS ON PRICE ELASTICITY IN RICE FROM THIS, IT SEEMS CLEAR THAT CONSUMPTION HAS REALLY DECLINED IN THE FACE OF HIGH PRICES AND ACTUAL SHORTAGES WHEN STORES EITHER RAN OUT OR LIMITED PURCHASES. OUR PROJECTION OF 68,000 MT PER MONTH WAS BASED ON TREND LINE FROM SEVERAL YEARS DATA. WHILE HIGH PRICES AND TIGHT GSA STOCK MANAGEMENT POLICIES HAVE UNDOUBTEDLY WORKED HARDSHIPS ON MOST FIXED INCOME FAMILIES, THEY HAVE BEEN INSTRUMENTAL IN KEEPING STOCK LEVELS UP AND PREVENTING SERIOUS SHORTAGES. THE VALIDITY OF LOW APPARENT CONSUMPTION FIGURES IS FURTHER SUPPORTED BY SOME PRELIMINARY STUDIES OF CENTRAL VIETNAM CONSUMPTION DONE BY USAID.

9. ANOTHER FACTOR IN VIETNAM'S IMPROVED SHORT TERM STOCK PICTURE
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PAGE 02 SAIGON 19815 02 OF 02 211533Z

WAS ARRIVAL OF RICE DIVERTED FROM KOREA AND SCHEDULING ADDITIONAL IMPORTS. IN VIEW OF VIETNAM'S SHARE OF 47,355 MT FROM KOREA WAS ONLY A BIT MORE THAN 25,000 MT, IT HELPED CALM RAPIDLY RISING PUBLIC FEARS IN AUGUST AND SEPTEMBER. ANNOUNCEMENT OF NEW US IMPORTS SCHEDULED FOR DECEMBER AND JANUARY HAVE COMBINED WITH STRONG DELTA DELIVERIES OF RECENT MONTHS TO TAKE FEARS OF SHORTAGES OFF FRONT PAGES. BLACK MARKET PRICES HOWEVER HAVE REMAINED HIGH.

10. SO LONG AS THE GVN LEAVES UNRESOLVED THE QUESTION OF TO WHAT EXTENT CURRENT CONTROLS WILL OR WILL NOT BE CONTINUED, IT IS DIFFICULT TO ATTEMPT ANYTHING MORE THAN SHORT TERM PROJECTIONS. AS REPORTED IN PREVIOUS SITREPS GVN PRICING, PURCHASING AND DISTRIBUTION POLICIES CURRENTLY ARE ALL OPERATING UNDER STRICT CONTROLS AND, EXCEPT FOR BLACK MARKET ACTIVITY, NOT RESPONSIVE TO MARKET FORCES. THEREFORE, FOR GENERAL STOCK PLANNING PURPOSES ONLY, THE FOLLOWING SHORT TERM STOCK PROJECTION IS OUR BEST ESTIMATE.

	NOV.	DEC.	JAN.	FEB.	
BEGIN STOCKS	144		111	103	141
DELTA DELIVERIES		35	40	70	60
IMPORTS	7	27	38	15	
TOTAL AVAILABLE		106	168	201	206
APPARENT CONSUMPTION			75	75	70 70
END STOCKS	111		103	141	146

11. IMPORTS FOR THE ABOVE STOCK PROJECTION INCLUDE: FOR NOVEMBER, LAST 7,000 MT FROM KOREAN DIVERSION TO GVN; FOR DECEMBER , 15,000 MT NEW US IMPORTS AND 12,000 MT REPAYMENT FROM GKR; FOR JANUARY, 35,000 MT NEW US IMPORTS AND 3,000 MT REPAYMENT FROM GKR; FOR FEBRUARY, 15,000 MT FROM NEW US IMPORTS. THESE IMPORTS ACCOUNT FOR 65,000 MT SCHEDULED FOR VIETNAM UNDER PA'S 45-751, 752, 753, AND FOR REPAYMENT OF 15,000 MT LOANED TO GKR. APPARENT CONSUMPTION INCLUDE 10,000 MT FOR GKR IN NOVEMBER AND 5,000 MT IN DECEMBER.

12. AS RESULT OF PRICE AND MOVEMENT CONTROLS, NORMAL PRIVATE SECTOR DELIVERIES TO CENTRAL VIETNAM HAVE ALL BUT STOPPED. OCTOBE SHIPMENTS WERE 980 MT AND FOR NOVEMBER THUS FAR ONLY 541 MT. UP TO END OF SEPTEMBER 1973 PRIVATE SECTOR DELIVERIES TO MILITARY REGION I WERE 83,475 MT. DATA ARE NOT AVAILABLE FOR SHIPMENTS TO MILITARY REGIO 2 ON A REGULAR BASIS BECAUSE MERCHANTS LIMITED OFFICIAL USE

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PAGE 03 SAIGON 19815 02 OF 02 211533Z

IN THIS AREA ARE NOT GIVEN THE SAME SPECIAL BANK LOANS FOR RICE PURCHASES IN SAIGON AND THE DELTA AS THOSE IN MILITARY REGION I. FYI, DELIVERIES TO MR-1 ARE CALCULATED FROM LOAN PAPERS AND CHECKED AGAINST DANANG PORT ARRIVAL RECORDS. WHAT DATA ARE AVAILABLE INDICATE THAT FROM 4,000 MT TO 6,000 MT A MONTH WENT TO MR-2 BEFORE CONTROLS WERE IMPOSED. SINCE THE CONTROLS BEGAN RICE SUPPLIES HAVE BEEN MORE AND MORE CONCENTRATED IN GVN-OWNED STOCKPILES. TO AVOID RAPID DRAWDOWN ON THE US RICE STOCKS IN CENTRAL VIETNAM AND TO MAKE UP FOR THE LACK OF RICE AVAILABLE TO THE PRIVATE SECTOR, GSA HAS SINCE OCTOBER BEEN SELLING RICE AT FIXED PRICES DIRECTLY TO CENTRAL VIETNAM MERCHANTS FROM GSA OWNED DOMESTIC STOCKS IN SAIGON. IN OCTOBER, 9,571 MT WERE SOLD AND 11,441 MT HAVE BEEN SOLD THUS FAR IN NOVEMBER. ANOTHER REASON CITED BY GSA FOR MOVING DOMESTIC RICE FROM SAIGON RATHER THAN USING US RICE IN CENTRAL VIETNAM WAREHOUSE IS THE POOR STORAGE AND HIGH MOISTURE CHARACTERISTICS OF MUCH OF THE RICE DELIVERED UNDER PRESSURE FROM THE DELTA IN SEPTEMBER AND OCTOBER.

13. PRICES

A. DELT PADDY AT THE MILL (WEIGHED AVERAGE PER 100 KILOS)

AUG 15 SEPT 1 SEPT 15 OCT 1 OCT 15 NOV

1

HIGH QUALITY 9605 9440 9004 9352 9934 9278

MEDIUM QUALITY 8935 8689 8280 8413 8936 8523

B. SAIGON WHOLESALE RICE PRICES (100 KILOS)

OCT 17 OCT 22 NOV 5 NOV 12 NOV 16 CEILING PRICE

NANG HUONG 21,000 20000 21,400 21,800 22,000 NONE

SOC NAU 17,000 16,000 15,500 15,700 15,800 12,500

NO.1, 25 PERCENT 16,200 15,000 14,500 15,000 15,000 12,000

IR-8 15,800 13,500 13,000 13,200 13,000 11,800

C. SAIGON RETAIL RICE PRICES (100 KILOS)

OCT 17 OCT 22 NOV 5 NOV 12 NOV 19 CEILING PRICE

NANG HUONG 24,000 22,000 22,500 22,800 23,000 NONE

SOC NAU 19,000 17,000 16,500 16,800 17,000 13,000
NO.1, 25 PERCENT 17,500 16,200 15,800 16,000 16,200 12
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Message Attributes

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Draft Date: 21 NOV 1973
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
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